



# INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

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**GST rate cut and wedding season  
revive industry prospects**

**DECEMBER 2025**



## 1 Industry Outlook



## 2 Key Recent Trends in PV Industry



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## 5 Segment-wise Analysis



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## 7 Operational & Financial Comparison of PV OEMs



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*Passenger vehicle (PV) wholesale volumes have grown by 3.6% YoY in 8M FY2026 against ICRA's forecast of 1-4% drawn at the beginning of the year.*

*Credit profile of PV OEMs is expected to remain healthy, supported by improved profitability, low leverage, adequate liquidity and/or strong parentage.*



**ICRA expects wholesale volume growth to be at the upper bound of its forecast of 1-4% in FY2026** with an anticipation of sustained demand aided by GST rate cuts across segments. Continued new model launches by original equipment manufacturers (OEM) and an expectation of demand sustenance in the winter wedding season are expected to support the volume growth.



**In 8M FY2026, retail sales grew by 6.1%**, led by an all-time high festive season. With GST rate cuts on passenger vehicles, the industry recorded 8.0 lakh units in the 42-day festive period, which grew by a strong 21% over the corresponding previous period. The demand sustained post festive season, which led to reduction in inventory days to 44-46 days at the end of November 2025 (as per the Federation of Automotive Dealers Association, or FADA).



**The utility vehicle (UV) segment continues to expand its share in overall industry sales (67% in 8M FY2026)**, led by a shift in customer preferences and a slew of new model launches. Demand for the entry-car segment has shown some revival after GST rate cuts and the volumes are expected to see an uptick going forward as well. The penetration of alternative powertrains, such as compressed natural gas (CNG) and electric vehicles, is steadily rising, aided by the introduction of new models and an improving fueling/ charging network.



**The capex outlay for the OEMs is estimated to remain high at Rs. 250-300 billion per annum** (about 5-6% of revenues) over the next few fiscals, with the OEMs budgeting for substantial outlay towards new product development, including enhancement of capabilities/platforms for EVs.



**Increasing operating leverage, coupled with softening commodity prices**, is expected to help OEMs maintain healthy margins. The credit profile of passenger vehicle (PV) OEMs is likely to remain strong, supported by low leverage, robust liquidity and/or strong parentage.



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# Analytical Contact Details

Name	Designation	Email	Contact Number
Jitin Makkar	Senior Vice President and Group Head	<a href="mailto:jitinm@icraindia.com">jitinm@icraindia.com</a>	0124 – 4545 368
K. Srikumar	Senior Vice President and Co-Group Head	<a href="mailto:ksrikumar@icraindia.com">ksrikumar@icraindia.com</a>	044 – 4596 4318
Rohan Gupta	Vice President and Sector Head	<a href="mailto:rohan.kanwar@icraindia.com">rohan.kanwar@icraindia.com</a>	0124 – 4545 808
Akshay Dangi	Senior Analyst	<a href="mailto:akshay.dangi@icraindia.com">akshay.dangi@icraindia.com</a>	0124 – 4545 396





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# Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>	022-61693304
Sai Krishna	Head – Research Sales and Investor Connect	<a href="mailto:sai.krishna1@icraindia.com">sai.krishna1@icraindia.com</a>	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	<a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	<a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>	022-61693372
Vinita Baid	Head Business Development – East	<a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	<a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	<a href="mailto:sanket.Kulkarni@icraindia.com">sanket.Kulkarni@icraindia.com</a>	022 – 61693365
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	<a href="mailto:communications@icraindia.com">communications@icraindia.com</a>	0124-4545860





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